



***New Leadership***

***New Partnerships***

***New Student Benefits***

# ***A New Day***

***The  
Student Loan  
People***<sup>SM</sup>

Kentucky Higher Education Student Loan Corporation

**FY2002 Annual Report**

## ***Mission***

The Student Loan People was created in 1978 as an independent municipal corporation to make, finance, service, and collect educational loans. Its mission is to promote Kentucky's higher education opportunities by providing low-cost loan programs and related services. Loan programs include:

- Federal Subsidized Stafford
- Federal Unsubsidized Stafford
- Federal PLUS (for parents)
- Federal Consolidation

## *From the Board Chair and Executive Director*

Since its creation, the Kentucky Higher Education Student Loan Corporation (KHESLC), also known as The Student Loan People<sup>SM</sup>, has provided students and parents with over \$1.5 billion in low-cost student loans.

During FY2002, The Student Loan People set its sights on strengthening its existing partnership with its sister agency, the Kentucky Higher Education Assistance Authority (KHEAA), to provide maximum benefits to Kentuckians. To that end, The Student Loan People:

- Asked Governor Paul E. Patton to expand membership of the KHESLC Board of Directors to include members of the KHEAA Board.
- Participated in college fairs, financial aid workshops, and other outreach activities with KHEAA to reach Kentucky students with free information.
- Made arrangements to be KHEAA's sole partner in the collection of KHEAA's default portfolio to maximize revenue for both.

The Student Loan People, as the state's public, nonprofit student loan provider, is an integral part of the state's postsecondary education system and recycles its revenue back into benefits for students.

Fees and interest from the Federal Family Education Loan Program allow The Student Loan People to:

- Provide \$3 million annually to KHEAA for state grant, scholarship, and work-study awards.
- Offer the lowest cost student loans in Kentucky through its new borrower benefit programs—**BestStart** and **Best in Class**.



Austin B. Carroll  
Board Chair



Dr. Joe L. McCormick  
Executive Director

These new benefits were designed to:

- Improve financial access to higher education for the maximum number of students to attend college and increase the college-going rate.
- Reward students for pursuing higher education, remaining in school, and demonstrating a good repayment history.
- Encourage students to enter the teaching profession and qualified teachers to remain in Kentucky.

If Kentuckians must mortgage their future to get a higher education, we owe them the best and lowest cost student loans possible. We also have an obligation to ensure they can successfully manage their student loan debt. We believe that **BestStart** and **Best in Class** provide the best opportunity to achieve both of these objectives. In the coming year, we will continue to seek new and innovative ways to improve access to higher education.

Austin B. Carroll  
Board Chair

Dr. Joe L. McCormick  
Executive Director

## Highlights

During FY2002, The Student Loan People:

- Originated \$125.8 million and purchased \$53.4 million in student loans.
- Serviced \$2.9 billion in student loans.
- Collected \$463.5 million.
- Partnered with KHEAA to establish an Executive Search Committee that led to the appointment of Dr. Joe L. McCormick as Executive Director.
- Sought and received from the Kentucky General Assembly an increase in KHESLC's debt limit from \$950 million to \$1.95 billion.
- Developed an online consolidation loan application and notified all borrowers regarding historically low interest rates and consolidation opportunities.
- Provided services to Access Group, Inc., a nonprofit provider of loans to students pursuing graduate and professional degrees. These services create revenue for Kentucky, which goes back into helping Kentucky schools and students.
- Helped recover more than \$17.2 million in debt.

## Student Loan Borrower Benefits No Lender in Kentucky Can Match!



- **Origination fee of only 1%.** (Lenders are allowed to charge 3%.)
- **2% credit to the unpaid principal** when the borrower completes the academic period for which the loan was made.
- **3.5% credit to the original principal balance** for borrowers who make their first 30 consecutive payments on time.

**The lowest cost  
student loan in Kentucky**



- **Interest will be forgiven for teachers** who taught at public or nonprofit Kentucky elementary or secondary schools. The accrued interest will be written off, and the interest paid will be credited to the unpaid principal at the end of each fiscal year.
- **20% of the original principal will be forgiven each year for special education teachers** at public or nonprofit Kentucky elementary or secondary schools in addition to the interest forgiveness on their teacher loans.

**Forgiveness benefits  
for Kentucky teachers**

## OTHER BORROWER SAVINGS

- **.25% interest rate reduction** for borrowers who make their loan payments automatically through their checking or savings account.
- **1% percent interest rate reduction for PLUS Loan borrowers** (parents) who make the first 48 payments on time.
- **Waiver of the 3% loan origination fee** on behalf of medical, dental, and osteopathic students who have Stafford Loans from Republic Bank and Trust Co.
- **Waiver of the 1% insurance fee** through the Kentucky Higher Education Assistance Authority (KHEAA), which guarantees the loans, so students will have more money to pay toward their education.

## ***KHESLC Selected Financial Information***

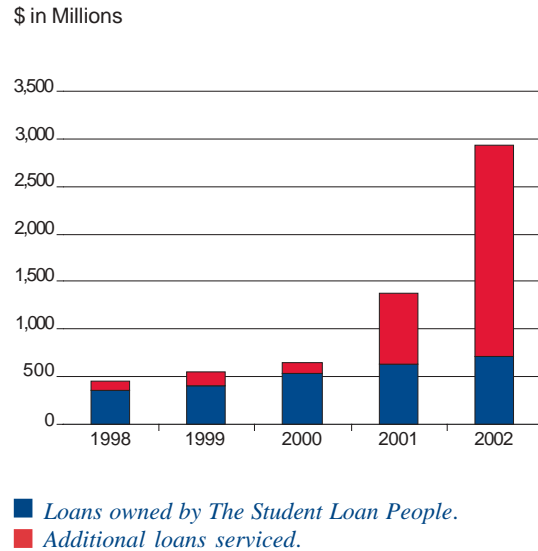
As of June 30, 2002, and for the fiscal year then ended.

### **Education Finance Funds**

	<b>1983 General Bond Resolution</b>	<b>1997 General Bond Resolution</b>	<b>1999 Line of Credit</b>	<b>Operating Fund</b>	<b>Combined Totals</b>
Revenues	\$ 18,619,719	\$ 33,489,708	\$ 213,829	\$ 4,046,376	\$ 56,369,632
Expenses	15,432,889	24,006,667	260,392	4,020,689	43,720,637
Transfer to KHEAA	(3,000,000)				(3,000,000)
Increase (decrease) in net assets	186,830	9,483,041	(46,563)	25,687	9,648,995
Net assets, beginning of year	46,073,242	8,631,916	191,040	14,054,694	68,950,892
Net assets, end of year	<u><b>\$ 46,260,072</b></u>	<u><b>\$ 18,114,957</b></u>	<u><b>\$ 144,477</b></u>	<u><b>\$ 14,080,381</b></u>	<u><b>\$ 78,599,887</b></u>
Assets	<u><b>\$237,478,859</b></u>	<u><b>\$645,751,279</b></u>	<u><b>\$ 165,366</b></u>	<u><b>\$ 16,054,020</b></u>	<u><b>\$899,449,524</b></u>
Liabilities	\$191,218,787	\$627,636,322	\$ 20,889	\$ 1,973,639	\$820,849,637
Net assets	46,260,072	18,114,957	144,477	14,080,381	78,599,887
Total liabilities and net assets	<u><b>\$237,478,859</b></u>	<u><b>\$645,751,279</b></u>	<u><b>\$ 165,366</b></u>	<u><b>\$ 16,054,020</b></u>	<u><b>\$899,449,524</b></u>
Net cash provided by (used in) operating activities	\$ 13,098,281	\$ (91,644,327)	\$ 30,853,831	\$ 72,996	\$ (47,619,219)
Net cash provided by investing activities	8,656,946	3,252,382	26,497	1,154,641	13,090,466
Net cash provided by (used in) noncapital financing activities	(48,013,610)	134,103,548	(33,134,981)		52,954,957
Net cash used in capital and related financing activities				(925,799)	(925,799)
Cash and cash equivalents:					
Beginning of year	53,589,969	28,544,755	2,443,126	3,912,273	88,490,123
End of year	<u><b>\$ 27,331,586</b></u>	<u><b>\$ 74,256,358</b></u>	<u><b>\$ 188,473</b></u>	<u><b>\$ 4,214,111</b></u>	<u><b>\$105,990,528</b></u>

To request a copy of The Student Loan People's FY2002 audited financial statements, contact the Financial Services Department at (502) 329-7145.

## Student Loan Portfolio Growth



## For More Information, Contact:

### The Student Loan People

P.O. Box 24266

Louisville, KY 40224-0266

888.678.4625

[www.studentloanpeople.com](http://www.studentloanpeople.com)

Kentucky Higher Education Student Loan Corporation is an  
Equal Opportunity Employer

## Leadership

### Board of Directors

Austin B. Carroll, Chair  
Hopkinsville

Dr. Jim A. Jackson, Secretary-Treasurer  
Frankfort

Joey B. Bailey  
Louisville

Fran Berg  
Prospect

Betty Young Farris  
Roundhill

Ronald L. Green  
Louisville

Shirley A. Huelsmann  
Fort Mitchell

Bobbie D. Powell  
Louisville

### Ex-Officio Members

T. Kevin Flanery  
Secretary, Finance and Administration Cabinet

Norma B. Adams  
Chair, Council on Postsecondary Education

Mary Jo Young  
Chair, KHEAA Board of Directors

### Senior Management

Dr. Joe L. McCormick  
Executive Director & Chief Executive Officer

Janice C. Ernst  
Chief of Staff

Roger B. Tharp  
President & Chief Operating Officer

Betty P. Barker  
Executive Vice President, Corporate Services,  
& Chief Financial Officer

Ron Duvall  
Senior Vice President, Office of Technology

Sherry M. Cooper  
Senior Vice President & General Counsel

Mary C. Henry  
Senior Vice President, Operations

As of June 30, 2002